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TO RUEHC/SECSTATE WASHDC PRIORITY 5358  
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STATE FOR OES DAS MIOTKE, OES/EGC, OES/ENV, AND OES/PCI  
STATE FOR S/SECC-STERN, S/P-GREEN, EEB, AND ECA  
STATE PASS TO CEQ SUTLEY  
USDOE FOR INTERNATIONAL  
USDOC FOR MAC AND MAS  
USDOC PASS USPTO FOR WU  
EPA FOR INTERNATIONAL/MKASMAN/GIANNINI-SPOHN  
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SUBJECT: SECRETARIES CHU AND LOCKE DISCUSS CLEAN ENERGY PRIORITIES  
WITH CHINA'S STATE COUNCIL AND SCIENCE MINISTRY

(U) Sensitive but unclassified. Please handle accordingly.

Summary

1. (SBU) During his recent visit to China, Energy Secretary Chu met with China's Minister of Science and Technology WAN Gang on July 15 to discuss priorities for the new U.S.-China Clean Energy Research and Development Center, which they publicly announced later the same day at a joint press conference. Both agreed that clean coal technology including carbon capture and storage (CCS), energy efficiency and clean energy vehicles should be the initial research focus of the new center. Secretary Chu also suggested that smart grid technology be a development priority. Following this meeting, U.S. Commerce Secretary Locke joined Secretary Chu and Minister Wan for a discussion with State Councilor LIU Yandong, China's highest-ranking female government official, who has oversight responsibilities for the Ministry of Science and Technology (MOST) and the Ministry of Education. Madame Liu addressed Chinese efforts to weather the global financial crisis and highlighted fiscal stimulus spending on environmental protection. She noted that U.S. President Obama's priorities coincided with those of China's

leaders, creating great opportunities to jointly address the challenges of clean energy and climate change. END SUMMARY.

#### U.S.-China Clean Energy R&D Center Priorities

12. (SBU) In advance of the press conference announcing the new U.S.-China Clean Energy Research and Development Center, MOST Minister Wan Gang met with Secretary Chu to privately express his views regarding China's clean energy priorities. Wan said China's heavy reliance on coal-fired power requires the development of advanced clean coal and CCS technologies to address China's growing carbon emissions. He also said that China's rapid pace of construction of new buildings warrants a heavy focus on energy efficient building technology. Regarding clean transportation, Wan noted that after more than a decade as an executive in the German auto industry the Chinese government had asked him to return to his home country to work on the development of clean energy vehicles. Referencing a speech that Secretary Chu gave on restructuring General Motors and the importance of developing clean energy vehicles, Wan said it was clear that U.S. and Chinese priorities in this area are aligned and it also should be an area of focus under the new center.

13. (SBU) NOTE: Under Minister Wan's leadership Beijing is aggressively trying to build up its clean energy vehicle industry. MOST has channeled significant funding into this effort with more than 70 types of energy-efficient vehicles currently in development. MOST this year began the "Tens of Cities, Thousands of Electric Vehicles" initiative in 13 cities across China. This program calls for a minimum of 1000 clean energy public transportation vehicles in

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each of these cities, with plans to add several more cities over the next two years. During his meeting with Secretary Chu, Wan said that China's state enterprises like the Shanghai Automotive Industry Corporation (SAIC) and the Dongfeng Motor Corporation (DMC) have invested substantial funds into developing hybrid and fuel-cell vehicles, but because of high R&D costs the Chinese government is providing subsidies to Chinese automakers who also build public transportation clean energy vehicles in order to ensure market competitiveness. END NOTE.

14. (SBU) Wan emphasized that a lot of "backroom" discussion had already taken place to ensure that both countries were in agreement regarding priorities of the new joint energy research center. Secretary Chu concurred with the three proposed areas of development but suggested that efficient electricity transmission and distribution networks, or so-called "smart-grid technology," be added as a fourth key R&D effort under the new center. Noting China's aims to increase renewable energy consumption to 15 percent by 2020 (up from approximately 8 percent today), with an emphasis on supplying advanced solar and wind energy technologies to rural China, Wan said smart-grid technology will be critical to this effort and agreed it should be part of the center's research platform. Secretary Chu noted that as more of the electric distribution system was put under advanced computer control, cyber-security will become a major issue and should be considered as both countries move forward with development of a new electric grid.

In concluding the meeting, Wan suggested that following the public announcement both countries should establish a steering committee to define the roles of participating agencies, funding, intellectual property rights, and other legal issues associated with the new joint research and development center.

#### Madame Liu Says S&T central to Bilateral Relationship

15. (SBU) Following the joint energy center discussion, U.S. Commerce Secretary Locke joined Secretary Chu and Minister Wan for a meeting with State Councilor LIU Yandong. Madame Liu's portfolio includes oversight of the Ministry of Science and Technology (MOST) and the Ministry of Education. She led off the discussion by detailing China's response to the global financial crisis, noting that the 4 trillion RMB (USD 586 million) stimulus package, tax cuts, and an increase in domestic demand have helped China weather the crisis. Liu highlighted stimulus spending on technology development associated with improving energy efficiency, stating

that it was valued at 580 billion RMB (USD 85 million), making it among the largest investments in the stimulus package.

¶6. (SBU) Liu also noted the auspicious timing of the Secretaries visit, observing that China was celebrating the 60th anniversary of the founding of the PRC. Moreover, our two countries are celebrating 30 years of diplomatic relations and S&T cooperation

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under the 1979 U.S.-China S&T Agreement. Liu said that science and technology collaboration is critical to China's continued advancement towards developed-country status and she is pleased to see S&T as a central theme going forward in the bilateral relationship. China will have 70 million new university graduates this year, according to Liu, so green industries that develop as a result of joint S&T cooperation are critical to meeting the high demand for quality jobs in both countries. Finally, Liu said that the U.S. President's priorities coincided with those of China, leading to a very positive relationship not only on the clean energy front, but also in areas such as anti-terrorism, arms control, nonproliferation, and climate change.

Chu and Wan Announce U.S.-China Clean Energy R&D Center

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¶7. (SBU) Following the two meetings, a joint press conference was held at the Great Hall of the People to announce the creation of the joint clean energy R&D center. [COMMENT: Although Secretary Chu and MOST Minister Wan formally addressed the large international press delegation, it is worth noting that Zhang Guobao--powerful head of the National Energy Administration (NEA) and Vice Chairman of the National Development and Reform Commission--was present on the podium during the announcement as this is a three way agreement between U.S. DOE, MOST and NEA. The Chinese Academy of Sciences will also have a role. The next steps, on both sides, include the development of a management process to direct this new effort. Although it remains to be seen whether the good cooperation between MOST and NEA will endure, the initial dynamic represents an unprecedented example of cooperation among agencies that don't traditionally work well together. END COMMENT]

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